

19, The current price of a nondividend-paying stock is 40 and the annual effective risk-free interest rate is 8%. You enter into a short position of 5 call options, each with 1 year maturity, a strike price of 35, and a premium of 9.21. Simultaneously, you enter into a long position on 3 call options, each with 1 year to maturity a strike price of 42 premium of 4.29.

All options are held until maturity.

Calculate the maximum possible profit and the maximum possible loss for the entire option portfolio.

Maximum Profit

Maximum Loss

A) 35.83

Unlimited

B) 35.83

10.13

C) Unlimited

10.13

D) 2.67

Unlimited

E) Unlimited

Unlimited